

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SJR 88

January 11, 2016

**SUMMARY OF ORIGINAL BILL:** Requests the Governor to seek an appropriate waiver in order to implement the TennCare Opt Out program as a pilot program. The TennCare Opt Out pilot program would:

- Demonstration participants would opt out of the current system and be placed in a catastrophic benefits health insurance program;
- Premiums would be paid from TennCare appropriated funds in an amount set by the Bureau of TennCare;
- A participant would receive an amount to be determined by the Bureau of TennCare as funds on an electronic benefits transfer (EBT) card for the purchase of primary care services and medications;
- A participant would actively purchase health care, while healthcare providers would be paid immediately for their primary care services;
- A physician would offer a price less than but not greater than the current reimbursement structure of the TennCare program;
- A participant would receive, to the extent permitted by law, the unused balance of funds on the EBT card back at the end of the year as a cash disbursement after an appropriate application process is developed by the Bureau of TennCare.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue - \$3,191,600

Decrease State Expenditures - \$1,115,900

Decrease Federal Expenditures - \$2,075,700

Other Fiscal Impact – There will be a shift of \$58,029,400 (state and federal) in current Medicaid expenditures that will go to pay for the TennCare Opt Out program enrollees.

**SUMMARY OF AMENDMENT (006167):** Deletes the language “seek an appropriate waiver in order to implement” and substitutes the language “send a letter to the federal government regarding a waiver for the implementation of”.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- The amendment requests the Governor to pursue a waiver for implementation of the TennCare Opt Out program.
- The fiscal impact is unchanged from the original bill and is based on the estimated cost of implementing the pilot program.
- Based on information provided by the Bureau of TennCare, the pilot program is estimated to include 17,200 temporary assistance for needy families (TANF) eligible male recipients between the ages of 21-44 (one-third of the population).
- The average monthly medical and pharmacy cost for this population is \$281.15. The total annual medical and pharmacy costs are estimated to be \$58,029,360 (17,200 x \$281.15 x 12 months).
- These individuals will no longer be part of the TennCare population for the purposes of calculating the current 5.5 percent HMO premium tax. The reduction in premium tax revenue is estimated to be \$3,191,615 ( $\$58,029,360 \times 0.055$ ).
- The Bureau of TennCare pays the premium tax for its plans and receives a 65.035 percent federal match rate resulting in 34.965 percent of the total paid with state funds. The decrease in state expenditures is estimated to be \$1,115,948 ( $\$3,191,615 \times 0.34965$ ). The decrease in federal expenditures is estimated to be \$2,075,667 ( $\$3,191,615 \times 0.65035$ ).
- The current \$58,029,360 expended to provide medical and pharmacy services to this group would be used to purchase catastrophic plan coverage estimated to be \$30,918,720 (17,200 enrollees x \$149.80 monthly premium x 12 months).
- The remaining \$27,110,640 ( $\$58,029,360 - \$30,918,720$ ) funds will be used to cover out-of-pocket expenses including deductibles, pharmaceuticals, and primary care. This would be approximately \$1,576 ( $\$27,110,640 / 17,200$ ) per program enrollee.
- Based on information provided by TennCare, the catastrophic plan deductible is \$6,350.

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

**Other Impact – The estimated impact to commerce in the state as a result of the amended bill cannot be reasonably determined due to a number of unknown factors.**

Assumptions for the bill as amended:

- There could be varying degrees of economic impact to the health care industry as a whole in the state of Tennessee, including but not limited to health insurance companies, hospitals, clinics, individual health care providers, and pharmacists.

- Based on information provided by the Bureau of TennCare, the pilot program is estimated to include 17,200 TANF eligible recipients. There will be a shift of \$58,029,360 in current state and federal Medicaid expenditures that will go to pay for the TennCare Opt Out program enrollees.
- Of this amount, \$30,918,720 is estimated to be used to purchase catastrophic plan coverage for pilot program enrollees. The remaining \$27,110,640 will be available to cover out-of-pocket expenses including deductibles, pharmaceuticals, and primary care.
- Since any unused balance of funds available to cover out-of-pocket expenses would be disbursed to pilot program enrollees at the end of a year, such enrollees will have a direct monetary incentive to seek the best price and value for needed healthcare services, or to elect not to receive healthcare services that they are currently seeking.
- Healthcare providers will be paid immediately for their primary care services, thus alleviating the need for a claims process and decreasing their overall costs in the process.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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